

Senate Study Bill 3204 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act relating to state taxation by providing specified tax
2 credits for the construction and installation of solar
3 energy systems and geothermal heat pumps, modifying sale
4 and use tax provisions related to property purchased for
5 resale, and creating a sales tax exemption for certain items
6 purchased for use in providing vehicle wash and wax services
7 and including effective date and retroactive and other
8 applicability provisions.
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 DIVISION I

2 GEOTHERMAL HEAT PUMP TAX CREDITS

3 Section 1. NEW SECTION. 422.11I Geothermal heat pump tax
4 credit.

5 The taxes imposed under this division, less the credits
6 allowed under section 422.12, shall be reduced by a geothermal
7 heat pump tax credit equal to twenty percent of the federal
8 residential energy efficient property tax credit allowed for
9 geothermal heat pumps provided in section 25(D)(a)(5) of the
10 Internal Revenue Code for residential property located in Iowa.
11 Any credit in excess of the tax liability is not refundable
12 but the excess for the tax year may be credited to the tax
13 liability for the following ten years or until depleted,
14 whichever is earlier. The director of revenue shall adopt
15 rules to implement this section.

16 Sec. 2. Section 427.1, Code Supplement 2011, is amended by
17 adding the following new subsection:

18 NEW SUBSECTION. 38. *Geothermal heating and cooling system.*

19 a. The value added by any new or refitted construction or
20 installation of a geothermal heating or cooling system on or
21 after July 1, 2012, on property classified as residential.
22 The exemption shall be allowed for ten consecutive years.
23 The exemption shall apply to any value added by the addition
24 of mechanical, electrical, plumbing, ductwork, or other
25 equipment, labor, and expenses included in or required for the
26 construction or installation of the geothermal system, as well
27 as the proportionate value of any well field associated with
28 the system and attributable to the owner.

29 b. A person claiming an exemption under this subsection
30 shall obtain the appropriate forms from the assessor. The
31 forms shall be prescribed by the director of revenue. The
32 claim shall be filed no later than February 1 of the first
33 assessment year the exemption is requested and shall contain
34 information pertaining to all costs and other information
35 associated with construction and installation of the system.

1 Once the exemption is allowed, the exemption shall continue to
2 be allowed for ten consecutive years without further filing as
3 long as the property continues to be classified as residential
4 property.

5 c. The director shall adopt rules to implement this
6 subsection.

7 Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to the
8 property tax exemption enacted in this division of this Act.

9 Sec. 4. EFFECTIVE UPON ENACTMENT. This division of this
10 Act, being deemed of immediate importance, takes effect upon
11 enactment.

12 Sec. 5. RETROACTIVE APPLICABILITY. The following provision
13 or provisions of this division of this Act apply retroactively
14 to January 1, 2012, for tax years beginning on or after that
15 date:

16 1. The section of this division of this Act enacting section
17 422.11I.

18 Sec. 6. APPLICABILITY. The following provision or
19 provisions of this division of this Act apply to assessment
20 years beginning on or after January 1, 2013:

21 1. The section of this division of this Act enacting section
22 427.1, subsection 38.

23 DIVISION II

24 SOLAR ENERGY SYSTEM TAX CREDITS

25 Sec. 7. NEW SECTION. 422.11L Solar energy system tax
26 credits.

27 The taxes imposed under this division, less the credits
28 allowed under section 422.12, shall be reduced by a solar
29 energy system tax credit under section 473B.2.

30 Sec. 8. Section 422.33, Code Supplement 2011, is amended by
31 adding the following new subsection:

32 NEW SUBSECTION. 29. The taxes imposed under this division
33 shall be reduced by a solar energy system tax credit under
34 section 473B.2.

35 Sec. 9. NEW SECTION. 473B.1 Definitions.

1 As used in this chapter, unless the context otherwise
2 requires:

3 1. "*Allowable costs*" means amounts incurred in the
4 construction or installation of a solar energy system which are
5 determined by the department by rule to qualify for the tax
6 credit issued pursuant to section 473B.2.

7 2. "*Department*" means the department of revenue.

8 3. "*Solar energy system*" means a solar energy facility which
9 collects and converts incident solar radiation into energy to
10 generate electricity, or a solar thermal system.

11 Sec. 10. NEW SECTION. 473B.2 Tax credit.

12 1. A solar energy system tax credit shall be issued for the
13 allowable costs incurred in the construction or installation
14 of a solar energy system equal to thirty percent of the cost of
15 the construction or installation, subject to a maximum credit
16 of fifteen thousand dollars for commercial or agricultural
17 construction or installation, or three thousand dollars for
18 residential construction or installation. Any credit in excess
19 of the tax liability is refundable. In lieu of claiming a
20 refund, the taxpayer may elect to have the overpayment shown
21 on the taxpayer's final, completed return credited to the tax
22 liability for the following tax year.

23 2. a. An individual may claim the tax credit allowed a
24 partnership, limited liability company, S corporation, estate,
25 or trust electing to have the income taxed directly to the
26 individual. The amount claimed by the individual shall be
27 based upon the pro rata share of the individual's earnings of
28 the partnership, limited liability company, S corporation,
29 estate, or trust.

30 b. A taxpayer who is eligible to claim a solar energy system
31 tax credit under this chapter shall not be eligible to claim a
32 renewable energy tax credit under chapter 476C.

33 3. The cumulative value of tax credit certificates issued
34 annually by the department to applicants pursuant to this
35 chapter shall not exceed one million five hundred thousand

1 dollars.

2 Sec. 11. NEW SECTION. **473B.3 Tax credit certificate —**
3 **application and issuance.**

4 1. *a.* To receive a tax credit as described in section
5 473B.2, a taxpayer shall file an application with the
6 department, the form and content of which shall be determined
7 by the department by rule. If upon receipt of a completed
8 application, the department finds that the person is qualified
9 for a solar energy system tax credit, the department shall
10 calculate the amount of the tax credit for which the person is
11 eligible and shall issue the applicable tax credit certificate
12 to the person or notify the person in writing of its refusal to
13 do so. The tax credit certificate may be applied against tax
14 owned pursuant to chapter 422, division II and III for the year
15 in which the allowable costs were incurred.

16 *b.* At a minimum, qualification criteria for issuance of
17 a certificate pursuant to paragraph "a" shall include the
18 following:

19 (1) An applicant shall complete and submit an energy audit
20 conducted either by or on behalf of the applicant's electric
21 utility or through a private energy audit service. The level
22 of energy audit to be conducted shall be determined under rules
23 adopted by the department in consultation with the utilities
24 board of the utilities division of the department of commerce.

25 (2) The solar energy system must qualify for the energy star
26 efficiency rating developed by the United States environmental
27 protection agency, or a similar certification program or status
28 designated by the department by rule, if available.

29 (3) The installation must be performed by a licensed or
30 certified installer qualified to install solar energy systems
31 and related equipment, and must meet or exceed all requirements
32 of applicable local building codes and ordinances.

33 2. A person whose application for a solar energy system
34 tax credit certificate is denied may file an appeal with the
35 department within sixty days from the date of denial pursuant

1 to the provisions of chapter 17A.

2 3. If a solar energy system tax credit certificate
3 is allowed with respect to residential, commercial, or
4 agricultural property and such property is sold, the credit for
5 the period after the sale which would have been allowable under
6 this chapter to the prior owner had the property not been sold
7 shall be allowable to the new owner. A tax credit for the year
8 of sale shall be allocated between the parties on the basis of
9 the number of days during such year that the property was owned
10 by each.

11 Sec. 12. NEW SECTION. **473B.4 Reporting.**

12 On or before January 1, annually, the department shall
13 submit a written report to the governor and the general
14 assembly regarding the number and value of tax credit
15 certificates issued under this chapter, and any other
16 information the department may deem meaningful and appropriate.

17 Sec. 13. Section 476C.2, Code Supplement 2011, is amended by
18 adding the following new subsection:

19 NEW SUBSECTION. 3. A taxpayer who is eligible to claim
20 a renewable energy tax credit under this chapter shall not
21 be eligible to claim a solar energy system tax credit under
22 chapter 473B.

23 Sec. 14. **EFFECTIVE UPON ENACTMENT.** This division of this
24 Act, being deemed of immediate importance, takes effect upon
25 enactment.

26 Sec. 15. **RETROACTIVE APPLICABILITY.** This division of this
27 Act applies retroactively to tax years beginning on or after
28 January 1, 2012.

29 DIVISION III

30 SALES TAX EXEMPTIONS

31 Sec. 16. Section 423.1, subsection 39, paragraphs b and c,
32 Code Supplement 2011, are amended to read as follows:

33 **b.** The property is transferred to the user of the service
34 in connection with the performance of the service in a form
35 or quantity capable of a fixed or definite price value, or

1 the property is entirely consumed in connection with the
2 performance of an auto body repair service purchased by the
3 ultimate user.

4 c. The sale is evidenced by a separate charge for the
5 identifiable piece of property unless the property is entirely
6 consumed in connection with the performance of an auto body
7 repair service purchased by the ultimate user.

8 Sec. 17. Section 423.3, Code Supplement 2011, is amended by
9 adding the following new subsection:

10 NEW SUBSECTION. 96. The sales price from the sale of water,
11 electricity, chemicals, solvents, sorbents, or reagents to a
12 retailer to be used in providing a service that includes a
13 vehicle wash and wax, which vehicle wash and wax service is
14 subject to section 423.2, subsection 6.

15 Sec. 18. EFFECTIVE UPON ENACTMENT. This division of this
16 Act, being deemed of immediate importance, takes effect upon
17 enactment.

18 EXPLANATION

19 This bill relates to state taxation by providing specified
20 tax credits and sales and use tax exemptions.

21 Division I provides an income tax credit and property tax
22 exemption for the construction or installation of a geothermal
23 heating or cooling system in connection with residential
24 property located in Iowa.

25 The division provides for an income tax credit for
26 such installations equal to twenty percent of the federal
27 residential energy efficiency property income tax credit
28 allowed for geothermal heat pumps. The division states that
29 any credit in excess of tax liability is not refundable but may
30 be credited to the tax liability for the following 10 years or
31 until depleted, whichever is earlier.

32 The division additionally provides for a property tax
33 exemption equal to the value added by any new or refitted
34 construction or installation of a geothermal heating or cooling
35 system on or after July 1, 2012. The division states that

1 the exemption shall be allowed for 10 consecutive years, and
2 shall apply to any value added by the addition of mechanical,
3 electrical, plumbing, ductwork, or other equipment, labor,
4 and expenses included in or required for the construction or
5 installation of the system, as well as the proportionate value
6 of any well field associated with the system and attributable
7 to the owner. The division specifies procedures regarding
8 claiming the exemption.

9 The division provides for the adoption of rules by the
10 director of the department of revenue, and states that Code
11 section 25B.7, regarding full state funding of property
12 tax credits or exemptions, shall not be applicable to the
13 geothermal heating and cooling system property tax exemption.

14 The division takes effect upon enactment. Provisions in the
15 bill enacting the income tax credit for geothermal heat pumps
16 apply retroactively to January 1, 2012, for tax years beginning
17 on or after that date. Provisions enacting the property tax
18 exemption for geothermal heating and cooling systems apply to
19 assessment years beginning on or after January 1, 2013.

20 Division II provides tax credits for the construction and
21 installation of solar energy systems as defined in the bill.

22 The division provides that a solar energy system tax credit
23 shall be issued for the allowable costs, as determined by
24 the department of revenue, incurred in the construction or
25 installation of a solar energy system. The credits shall
26 be equal to 30 percent of the cost of the construction or
27 installation, subject to a maximum credit of \$15,000 for
28 commercial or agricultural construction or installation or
29 \$3,000 for residential construction or installation. The
30 division specifies that the credits shall be refundable, or
31 alternatively applied against tax liability for the following
32 tax year.

33 The division provides that an individual may claim the
34 tax credit allowed a partnership, limited liability company,
35 S corporation, estate, or trust electing to have the income

1 taxed directly to the individual, with the amount claimed
2 based upon the pro rata share of the individual's earnings of
3 the partnership, limited liability company, S corporation,
4 estate, or trust. The division also provides that a taxpayer
5 who is eligible to claim a solar energy system tax credit is
6 not eligible to claim the renewable energy tax credit provided
7 in Code chapter 476C. Further, the division restricts the
8 cumulative total of solar energy system tax credits issued
9 for all applicants to an amount not exceeding \$1.5 million
10 annually.

11 The division sets forth application and issuance procedures
12 in relation to obtaining a tax credit certificate, to be
13 developed by the department by rule. The division provides
14 that, at a minimum, qualification criteria shall include
15 submission of an energy audit at a level determined by
16 rule conducted either by or on behalf of the applicant's
17 electric utility or through a private energy audit service,
18 qualification of the system for the energy star efficiency
19 rating developed by the United States environmental protection
20 agency or a similar certification program or status designated
21 by the department by rule, if available, installation by a
22 licensed or certified installer qualified to install solar
23 energy systems and equipment, and meeting or exceeding all
24 applicable local building code and ordinance requirements.

25 The division states that if the department finds that a
26 person is qualified for a solar energy system tax credit, the
27 department shall calculate the amount of the tax credit for
28 which the person is eligible and either issue the applicable
29 tax credit certificate to the person or notify the person in
30 writing of its refusal to do so. The tax credit certificate
31 may be applied against individual or corporate tax owed
32 pursuant to Code chapter 422, divisions II and III, for the
33 year in which the allowable costs were incurred.

34 The division authorizes a person whose application is denied
35 to file an appeal with the department within 60 days from the

1 date of denial, and provides for the proration or allocation
2 of a credit in the event property subject to a tax credit is
3 sold. The division contains reporting requirements regarding
4 the number and value of tax credit certificates issued, and
5 any other information the department deems meaningful and
6 appropriate.

7 The division takes effect upon enactment, and applies
8 retroactively to tax years beginning on or after January 1,
9 2012.

10 Division III amends the definition of "property purchased
11 for resale in connection with the performance of a service"
12 in Code section 423.1. Under current law, property qualifies
13 as "property purchased for resale in connection with the
14 performance of a service" if, among other things, it is
15 transferred during the service in a form or quantity capable
16 of a fixed or definite price value and listed as a separate
17 charge. The division provides that property which is entirely
18 consumed in connection with the performance of an auto body
19 repair service will also qualify as "property purchased for
20 resale in connection with the performance of a service", and
21 provides that the property entirely consumed in performance of
22 the service need not be listed as a separate charge.

23 The division also creates a sales tax exemption for sales of
24 water, electricity, chemicals, solvents, sorbents, or reagents
25 made to a retailer for use in providing taxable vehicle wash
26 and wax services. By operation of Code section 423.6, an item
27 exempt from the imposition of the sales tax is also exempt from
28 the use tax imposed in Code section 423.5.

29 The division takes effect immediately upon enactment.